

EXHIBIT 73

9/10/94
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ILLINOIS DEPARTMENT OF PUBLIC AID
Robert Wright, Director

Description of Proposed FY'96 Budget Initiatives

Initiative Name: Redefine Maximum Allowable Rate for Drug Reimbursement

Division: Division of Medical Programs

Is this initiative MANDATED by:

Federal Law	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
State Law	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Fed/State Court Decision	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

If yes, provide statutory cite/court cite.

Initiative Description/Justification:

This initiative changes the methodology for calculation of the maximum reimbursement amount for prescription drugs to a Wholesale Acquisition Cost-plus method (WAC-plus) and eliminated the current Average Wholesale Price-minus method (AWP-minus). AWP has become virtually meaningless as a real number, particularly for multi-source drugs. AWP is set by each drug manufacturer and reported to the various drug information services but in actuality it is no longer used by wholesalers in selling to pharmacies. Factors such as volume discounts and rebates by wholesalers or manufacturers are examples of changes that have made AWP meaningless. WAC prices are now being provided to drug information services as an additional data item by many manufacturers. Even with the additional staff effort required to collect WAC prices from the manufacturers not currently reporting them to the data services, the States who have already switched to the WAC-plus method are realizing significant savings.

Examples of the difference between AWP prices and WAC prices are:

Lable Name (Gen. Name)	AWP	WAC	Difference
Nystatin+Triam Crm 15gm	\$ 3.20	\$ 1.60	\$ 1.60
Naproxen Tab 250mg	67.08	8.95	58.13
Diazepam Tab 2mg	9.72	1.59	8.13
Metoclopr Tab 10mg	77.38	12.30	65.08
Metoprol Tab 50mg	46.01	19.30	26.71

Estimated Costs/Benefits/Savings Offsets:

BOMB estimates the annual savings to be approximately \$5 Million. This savings will be offset by the \$11K increased cost in the licensing fee for the purchase of drug pricing data and by an increase of \$60K in consulting staff needed to collect WAC pricing data from manufacturers not providing it to the data service companies.